

Message Text

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11

ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 L-03 H-03 PA-04

PRS-01 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

----- 126255

P 170811Z OCT 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8643

INFO AMEMBASSY KUALA LUMPUR PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 12/31/73

TAGS: EAID, EFIN, MY

SUBJ: PROPOSED ADB LOAN FOR KUCHING AND SIBU WATER SUPPLY
PROJECT (MALAYSIA)

SUMMARY: ADB MANAGEMENT PROPOSES \$6.46 MILLION
EQUVALENT LOAN FROM ORDINARY CAPITAL RESOURCES
TO MALAYSIA TO FINANCE FOREX COST OF PROPOSED
EXPANSION OF WATER SUPPLY SYSTEMS FOR TOWNS
OF KUCHING AND SIBU IN STATE OF SARAWAK. USADB
RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC 81-73 WITH ATTACHMENTS DESCRIBING
PROPOSED LOAN POUCHES ADDRESSEES OCT 2, 1973.
BOARD CONSIDERATION SCHEDULED OCT. 30.

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2. ADB MANAGEMENT PROPOSING \$6.46 MILLION LOAN FROM ORDINARY

CAPITAL RESOURCES TO GOVT OF MALAYSIA. PROCEEDS WILL FINANCE FOREX COST FOR EXPANSION OF WATER SUPPLY SYSTEMS FOR TOWNS OF KUCHING AND SIBU IN STATE OF SARAWAK TO MEET URGENT NEED FOR ADDITIONAL WATER SUPPLIES. PROPOSED TERMS ARE 25 YEAR AMORTIZATION INCLUDING 5 YEAR GRACE PERIOD, 7 1/2 PERCENT INTEREST. FEDERAL GOVT OF MALAYSIA TO BE BORROWER. LOAN PROCEEDS TO BE RELENT BY GOVT TO STATE GOVT OF SARAWAK FOR RELENDING TO KUCHING WATER BOARD (KWB) AND SIBU WATER BOARD (SWB), WHO WILL BE EXECUTING AGENCY, ON TERMS AND CONDITIONS NO LESS FAVORABLE THAN THOSE APPLICABLE TO PROPOSED BANK LOAN TO MALAYSIA.

3. KUCHING AND SIBU ARE TWO LARGEST TOWNS IN SARAWAK. TOGETHER WITH NEARBY RURAL DISTRICTS, THEY HAVE ALMOST ONE-THIRD OF STATE'S POPULATION. BOTH ARE GROWING RAPIDLY DUE TO POPULATION INCREASE AND MIGRATION FROM RURAL AREAS. AVERAGE DAILY WATER DEMAND IS PROJECTED TO INCREASE ANNUALLY BY 6.25 PERCENT IN KUCHING AND 8.40 PERCENT IN SIBU UNTIL 1990. BY 1976 AVERAGE DAILY DEMAND IN BOTH TOWNS ESTIMATED TO EXCEED PRODUCTION CAPACITY. PROPOSED PROJECT EXPECTED TO SATISFY AVERAGE DAILY DEMAND UNTIL 1985 IN KUCHING AND 1983 IN SIBU.

4. FEASIBILITY STUDIES FOR BOTH KWB AND SWB EXPANSION PROGRAMS WERE PREPARED IN 1972/73 BY PATERSON CANDY (MALAYSIA) WHO WERE RETAINED BY STATE GOVT. PROPOSED PROJECT CLOSELY FOLLOWS CONSULTANTS' RECOMMENDATIONS. BANK APPRAISAL MISSION FOUND IT POSSIBLE TO INCORPORATE BOTH PROPOSED EXPANSIONS INTO ONE LOAN PROPOSAL, AS BOTH ARE SIMILAR IN CONCEPT, HAVE APPROXIMATELY SAME IMPLEMENTATION ASPECTS, ARE IN THE SAME STATE AND MAY, IN DUE COURSE, COME UNDER ONE NEW STATE WATER AUTHORITY.

5. BOTH PROJECTS COVER FIRST PHASE OF RESPECTIVE TWO-STAGE WATER SUPPLY DEVELOPMENT PROGRAMS. KUCHING PROJECT PROVIDES FOR CONSTRUCTION OF NEW RIVER INTAKE TO DRAW WATER FROM SUNGEI SARAWAK KIRI, WHICH IS MAJOR SUPPLY SOURCE, NEW TREATMENT PLANT, PUMPING PLANTS, BALANCING RESERVOIR PLUS TRANSMISSION MAINS AND DISTRIBUTION PIPES. SIBU PROJECT LIMITED OFFICIAL USE

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PROVIDES FOR CONSTRUCTION OF NEW RIVER INTAKE TO DRAW WATER FROM BATANG RAJANG, CURRENT ABUNDANT SOURCE OF SUPPLY, NEW TREATMENT PLANT, PUMPING PLANT, ELEVATED STORAGE TANK PLUS TRANSMISSION MAINS AND DISTRIBUTION PIPELINES. LOCAL CONSULTANTS TO BE ENGAGED BY KWB AND SWB WITH THEIR OWN RESOURCES TO ASSIST IN PROJECT IMPLEMENTATION. BANK MISSION HAS ASCERTAINED THERE ARE QUALIFIED MALAYSIAN FIRMS TO CARRY OUT CONSULTING REQUIREMENTS. BANK WILL

BE GIVEN OPPORTUNITY TO REVIEW QUALIFICATIONS, TERMS
OF REFERENCE AND CONTRACTS OF SELECTED CONSULTANTS.

6. TOTAL COST OF PROJECT IN TWO TOWNS ESTIMATED AT \$9.67
MILLION EQUIVALENT, OF WHICH \$6.46 MILLION (KUCHING
AND SIBU PORTIONS \$5.27 MILLION AND \$1.19 MILLION
RESPECTIVELY) WILL BE FOREIGN EXCHANGE COST TO BE FINANCED
UNDER PROPOSED BANK LOAN. LOCAL CURRENCY REQUIREMENT
IS \$3.21 MILLION EQUIVALENT OF WHICH KUCHING PORTION IS
\$2.45 MILLION AND SIBU PORTION \$0.76 MILLION. KWB AND SWB
EXPECT TO MEET LOCAL CURRENCY REQUIREMENTS FROM THEIR OWN
RESOURCES, BUT FEDERAL AND STATE FUNDS WILL ALSO BE
AVAILABLE IF REQUIRED.

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-10 IO-14 L-03 H-03 PA-04

PRS-01 USIA-15 SPC-03 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 SS-20 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DRC-01 /179 W

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P 170811Z OCT 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8644

INFO AMEMBASSY KUALA LUMPUR PRIORITY

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USADB

FOR NAC AGENCIES

7. PROCUREMENT UNDER PROPOSED LOAN WILL BE IN ACCORDANCE
WITH BANK'S GUIDELINES FOR PROCUREMENT. CIVIL WORKS
CONTRACTS AND CONTRACTS FOR GOODS EXCEEDING \$150,000 AND

\$75,000, RESPECTIVELY, TO BE AWARDED ON BASIS OF INTER-NATIONAL COMPETITIVE BIDDING. CONTRACTS LESS THAN ABOVE AMOUNTS TO BE AWARDED ON BASIS OF TENDERS OR QUOTATIONS FROM REASONABLE NUMBER OF SELECTED SUPPLIERS IN MORE THAN ONE ELIGIBLE COUNTRY. TO EXTENT THAT LOCAL CONTRACTORS ARE AWARDED CONTRACTS, INDIRECT FOREIGN EXCHANGE (INCLUDING GOODS ELEMENTS IN POSSIBLE COMBINED CONTRACTS SUCH AS SUPPLY OF PIPES TOGETHER WITH LAYING OF PIPELINES) WILL BE FINANCED UNDER LOAN.

8. KWB AND SWB, THE EXECUTING AGENCY, ARE LARGELY AUTONOMOUS, STATUTORY CORPORATE BODIES OPERATING WITH OWN BUDGETS. BOTH ARE CONSIDERED TO BE TECHNICALLY AND LIMITED OFFICIAL USE

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ADMINISTRATIVELY WELL OPERATED AND ARE FINANCIALLY SOUND INSTITUTIONS. THEY PLAN TO EXPAND PROFESSIONAL AND OPERATIONAL STAFFS TO IMPLEMENT PROJECT AND TO MEET REQUIREMENTS OF THEIR EXPANDING WATER SUPPLY SYSTEMS. MISSION REGARDS TARIFF STRUCTURE AND LEVEL AS SATISFACTORY. BOTH KWB AND SWB UNDERTAKE TO MAINTAIN TARIFFS AT LEVEL THAT WILL GENERATE REVENUE TO COVER ALL OPERATING EXPENSES AND DEBT SERVICE AND PROVIDE REASONABLE CONTRIBUTION TOWARD CAPITAL EXPENDITURE.

9. PROPOSED PROJECT IS CONSIDERED TO BE WELL PLANNED, TECHNICALLY AND ECONOMICALLY FEASIBLE AND FINANCIALLY VIABLE. EXPANSION OF KUCHING AND SIBU WATER SYSTEMS WILL IMPROVE STANDARD OF LIVING OF POPULATIONS. INDUSTRIAL GROWTH IN BOTH TOWNS, AND IN PARTICULAR PROVISION OF EMPLOYMENT FOR SIBU'S RATHER LARGE JOBLESS POPULATION, DEPENDS IN PART ON READY AVAILABILITY OF WATER FOR NEW INDUSTRY. EXTENSION OF PRESENT WATER SUPPLY SYSTEMS INTO NEARBY RURAL AREAS WILL RESULT IN IMPROVED PUBLIC HEALTH. USADB SUPPORTS PROPOSAL AND RECOMMENDS FAVORABLE NAC ACTION.

10. REQUEST KUALA LUMPUR'S COMMENTS FOR NAC AGENCIES, INFO USADB MANILA, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
SULLIVAN

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Message Attributes

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